

Senator Charles Poochigian



CAPITOL UPDATE

MAY 13, 2005

Governor's May Budget Revision Proposes No New Taxes, Fiscally Responsible Use of One-time Revenues

"With the economy and revenue projections showing signs of improvement, it is vital that budget writers this year do not fall into the traps that have caused our state's ongoing fiscal crisis. One-time revenues should not be dumped into auto-pilot spending plans. Governor Schwarzenegger's May Revise does not call for tax increases. It proposes fiscally responsible uses of one-time revenues, and works to pay down some of California's accumulated debt."

- Senator Chuck Poochigian

Governor Schwarzenegger's May revision to his proposed 2005-2006 budget ("May Revise") provides an update to his spending plan released in early January. The changes reflect the most recent estimates of economic indicators and budgetary forecasts.

General Fund Spending

Governor's January 10 Budget (\$ Millions)		Governor's May Revision (\$ Millions)	
Estimated 2004-05	Proposed 2005-06	Actual 2004-05	Proposed 2005-06
\$77,904	\$83,772	\$79,256	\$83,867

One-time Revenues

The May Revision reflects an increase in state revenues over two years of \$6 billion over what was predicted in January. However, given the one-time nature of revenues related to amnesty and a slower projected rate of economic growth, the budget does not allocate one-time revenues to increase ongoing state programs.

Fiscal Impacts of the May Revise

- Includes **no new taxes**, and reinstates two property tax credits for seniors proposed for elimination in January: the Senior Citizens' Assistance Property Tax Program and the Senior Citizens' Renters Tax Assistance Program.
- Contains no new borrowing, and eliminates new proposed borrowing from the Proposition 57 Economic Recovery Bond. In January, the budget assumed the state would need to issue \$1.7 billion in new bonds.
- Maintains a prudent reserve of \$1.4 billion - which includes a \$900 million set-aside for refunds related to tax amnesty that are forecast to be due in the 2006-07 fiscal year.
- Pays down debt owed to cities and counties early.

Criminal Justice

Central Valley Rural Crime Prevention Program – The Governor's May Revise does not change the \$1.9 million funding reduction established in the January budget proposal for the CVRCP, leaving \$1.443 million for the program. SB 453

(Poochigian), which proposes to extend the sunset for the program, has been amended to distribute all budgeted funding according to the historic schedule, though it is hoped that the program's full funding will be restored in the final budget.

Small/Rural Sheriffs' Program – The May Revise restores \$18.5 million in funding for the Rural Sheriff's Program, which provides grants of \$500,000 to 37 sheriff's departments in the smaller counties of the state. This program was proposed to be eliminated in the January budget.

COPS– COPS funding will be maintained at \$100 million.

Juvenile Justice Crime Prevention Act (JJCPA)—Restores program funding (\$100 million). This program is statutorily linked to the COPS program.

Office of Homeland Security—Establishes the Office of Homeland Security as a new state agency. It currently exists as a program within the Office of Emergency Services.

Reimbursement for Homicide Trials – Provisional language was added into the budget stating that funds appropriated shall be available for 100% reimbursement for the County of Stanislaus for the homicide trial of People v. Scott Peterson.

War on Methamphetamine – Maintains \$9.5 million for the war on methamphetamine.

Identity Theft—Augments to the Office of Privacy Protection \$446,000 in order to implement recommendations made by the Governor's statewide Summit on Identity Theft.

Education Funding – K-12 Education

Governor's January 10 Budget (\$ Millions)		Governor's May Revision (\$ Millions)	
Estimated 2004-05	Proposed 2005-06	Actual 2004-05	Proposed 2005-06
\$47,083	\$49,967	\$46,941	\$49,967

Proposition 98 – The May Revise proposes education expenditures of \$50 billion, a \$3 billion increase from 2004-05.

Per-Pupil Spending – Increases per-pupil spending by 5.4% in 2005-06 to \$7,402.

Equalization – Provides \$40 million for Community College equalization, bringing equalization funding to \$120 million over two years.

Class Size Reduction – \$175.4 million appropriated to further reduce class sizes within the state's lowest-performing schools.

Recognition Pay – \$57 million dollars to encourage qualified teachers and principals to serve in lower-performing schools.

Education Funding – Higher Education

The Governor's May Revise reflects a compact between the Governor and UC and CSU officials. The elements of the 2004 agreement include:

Enrollment Growth – UC and CSU enrollment plans project a 2.5% enrollment increase per year through 2010.

Student Fees – The Compact specifies that student fees will increase by no more than 10% per year until 2006-07. However, UC and CSU have adopted an 8% increase for 2005-06 undergraduate fees.

Student Aid – The California Student Aid Commission (CSAC) funding is increased by \$6.9 million over the proposed January figure of \$793.1 million. In addition, Cal-Grants for students attending private universities are fully restored.

UC Merced – The Merced campus officially opens to students this fall. One-time funding of \$14 million has been appropriated for start-up costs needed to open the campus.

Health and Welfare Programs

Prescription Drug Coverage – The May Revise includes additional funding to implement the Cal RX program as proposed by Senate Bill 19 (Ortiz and Poochigian).

Welfare Pay For Performance – Provides counties that meet specific CalWORKs program requirements with \$30 million in welfare funds. This proposal will reward counties for increasing the number of hours worked by CalWORK recipients.

Welfare Grant Reductions – Delays proposed welfare grant reductions for three months to allow counties sufficient time to adjust their payroll systems to reflect the new grant levels.

Welfare Income Disregard – Restores the income disregard for welfare recipients to their previous level so that welfare recipients are rewarded for working.

West Nile Virus – Provides an additional \$12 million to augment efforts to combat West Nile Virus.

Local Government Impacts

The Governor's May Revise maintains the agreement between the Governor and statewide local government organizations.

Vehicle License Fee Backfill – The Governor proposes to make an early payment of approximately one-half of \$1.2 billion owed to cities and counties by 2006-07. Under this plan, the state will pay \$593 million of deferred vehicle license fee backfill funding to local governments in 2005-06.

Transportation Funding

Proposition 42 Transfer – The May Revision restores full funding for Proposition 42. This will provide approximately \$1.3 billion in additional funding for transportation purposes. Proposition 42 requires funding to be allocated to the Traffic Congestion Relief Program (TCRP) first. After funding the TCRP, Proposition 42 funds will be divided between the State Highway Account, Local Streets and Roads and the Public Transportation Account (PTA).

School Bus Replacement – Includes \$4.9 million for school bus replacement and upgrades. Current law specifies that the top priorities for the use of these funds are to replace or upgrade school buses that do not conform with federal safety standards. SB 698 (Poochigian) would designate additional funds for the replacement of all buses that don't meet safety standards.

Resource Issues

Carl Moyer Program – Provides an augmentation of \$12.5 million for incentive grants to reduce emissions from heavy duty diesel powered vehicles and equipment.

CALFED Bay-Delta Program - Water User Fees – Calls for the development of a ten-year action plan and an independent audit and fiscal review of the CALFED Program. Authorizes the imposition of user fees of up to \$30 million per year.

Williamson Act – The May Revise maintains the proposed \$40 million allotment.

The May Revise modifies Governor's January Budget to reflect additional revenues. For more information View [Poochigian's January Budget Document](#) and [Governor Schwarzenegger's May Revise Budget Document](#).

CONTACT INFORMATION

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